




Session 3
**ECONOMICS IN
LOSS CONTROL**

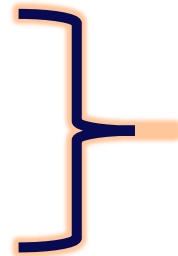
ECONOMICS IN LOSS CONTROL

prevention of worker's injuries and illnesses can be formulated as economic objectives  meaningful to management

Accidents

Injuries

Illnesses

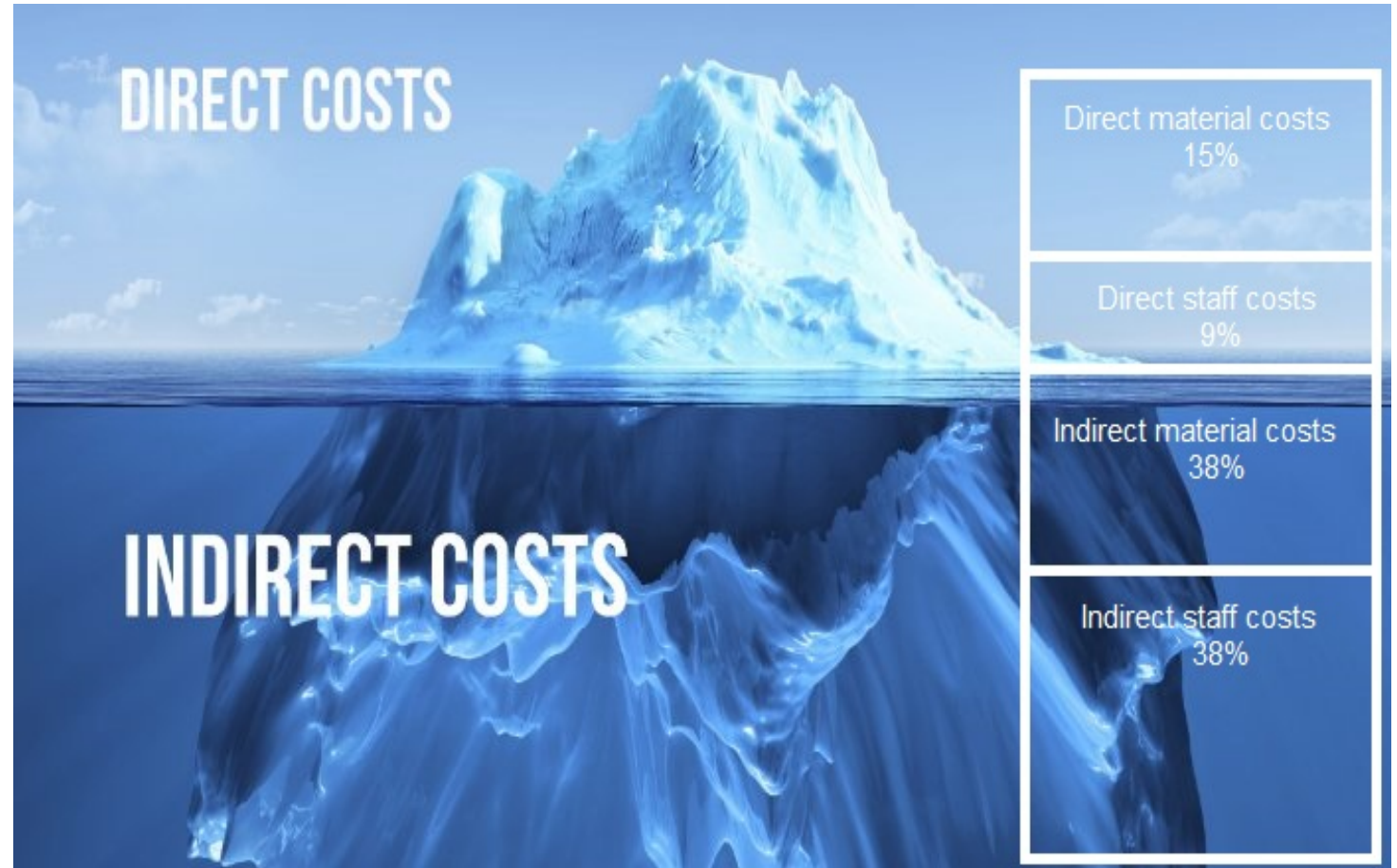


have costs (What are these?)



Direct – claims,
medical cost, absences

Indirect - intangible
costs of accidents,
although hidden,
appear to be much
greater than the so-
called "direct costs"



Economic cost of occupational accidents

No much study done in measuring economic cost of workplace accidents:

WHY?

- Data are difficult to come by
- Businesses focus on their core business



But few studies available using both qualitative and quantitative approaches point to the following findings:

↵ High cost
Mostly
productivity
loss

≈ Due to lack
of
awareness
& risk
assessment

∩ Mostly
involves
younger
workers



only 4% of employers believe
that investment in safety
and health
is important for maintaining
good business



Your
Thoughts

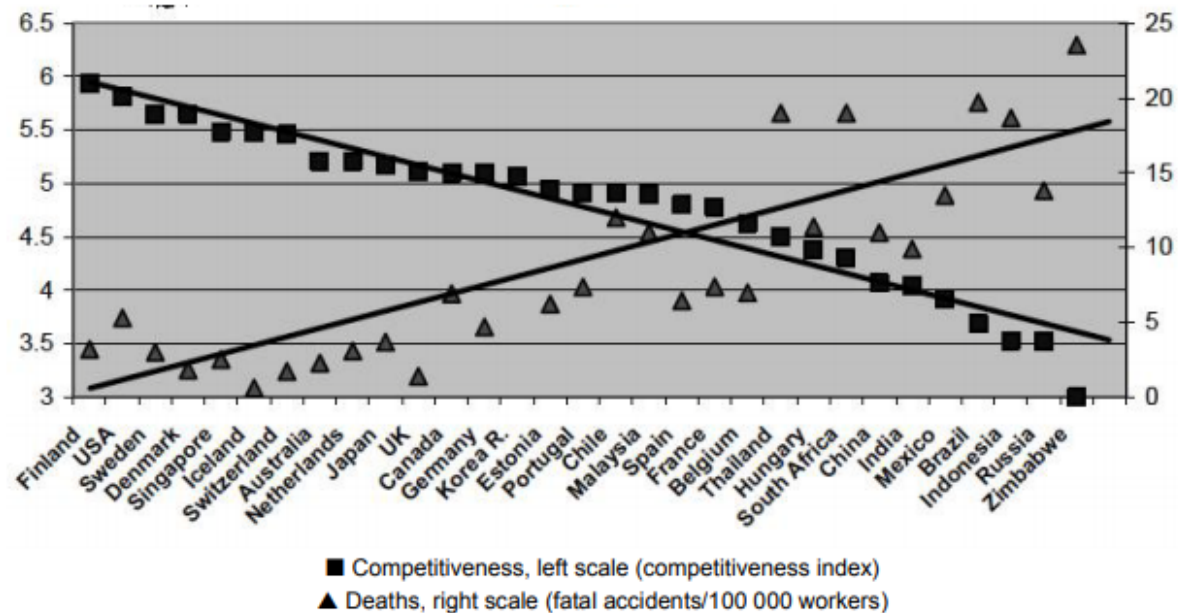


The economic cost



Accidents at work and work-related ill-health hinder economic growth

Correlation between competitiveness and the incidence of accidents at work



Source: ILO, 2006



“The major impact of work-related problems is clearly demonstrated by figures on economic losses. The ILO has estimated that the total costs of such accidents and ill-health amount to approximately 4 per cent of the world’s GDP. Furthermore, social insurance expenditure on occupational safety and health constitutes an important sum. On average, OECD countries spend 2.4% of GDP on incapacity-related benefits. “

“These benefits comprise cash benefits on account of complete or partial inability to participate gainfully in the labor market due to disability. It includes expenditures such as statutory sick pay, disability allowances, industrial injuries disablement and incapacity benefits.”

**OECD – Organization for Economic Cooperation and Development (37 member countries)*





Costs of workplace accidents, illnesses and long-term absence in the Netherlands is 3% of total GDP. The estimate was based on factors such as absenteeism, occupational disability.

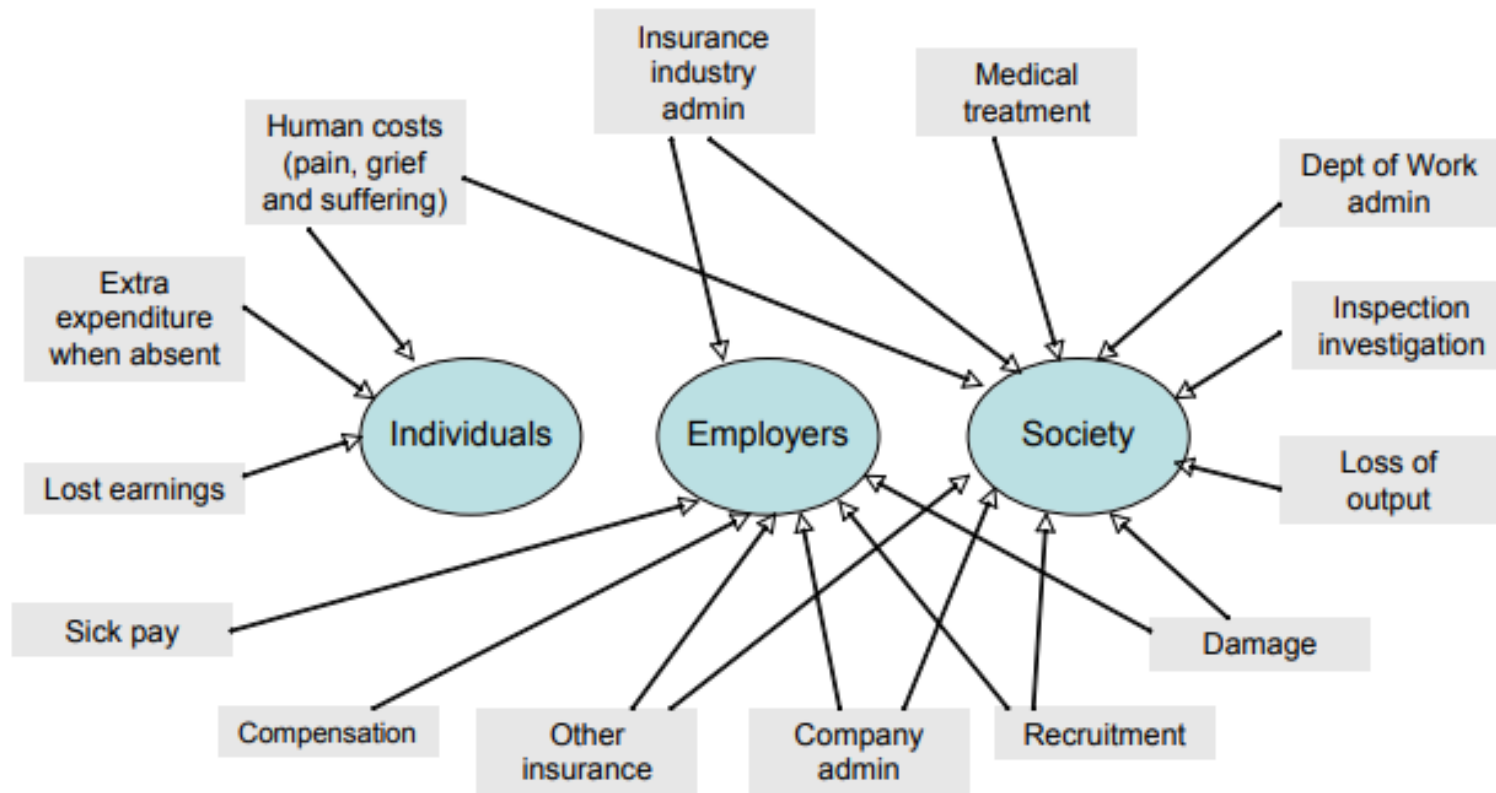
In Finland, the costs of work-related diseases and occupational accidents were nearly 2% of GDP. This is caused by reduced production input resulting from disability.

Spain had a lower estimate with annual total cost equivalent to 1.72% of GDP. The estimate was based on the costs of lost working days and the costs of social security cover.



Consequence goes beyond the workplace

Distribution of cost categories of accidents at work and work-related ill-health to individuals, employers, and society



The Question is: who pays the cost?

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Consequences of accidents at work and work-related ill-health for different groups

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	Non tangible	More or less tangible
Victim	Pain and suffering Moral and psychological suffering (especially in the case of a permanent disability) Lowered self-esteem, self confidence Strain on relationships Lifestyle changes	Loss of salary and premiums Reduction of professional capacity Medical costs Loss of time (medical treatments)
Family and friends	Moral and psychological suffering Medical and family burden Strain on relationships	Financial loss Extra costs
Colleagues	Psychological and physical distress Worry or panic (in case of serious or frequent accidents/cases of ill-health)	Loss of time and possibly also of premiums Increase of workload Training of temporary workers



Company	Presenteeism Company image Working relations and social climate	Internal audit Decrease of the production Damages to the equipment, material Quality losses Training of new staff Technical disturbances Organisational difficulties Increase of production costs Increase of the insurance premium or reduction of the discount Early retirement Administration costs Legal sanctions
Society	Reduction of the human labour potential Reduction of the quality of life	Loss of production Increase of social security costs Medical treatment and rehabilitation costs Early retirement Decrease of the standard of living

Source: De Greef and Van den Broek, 2004 (a)



Work-related ill-health and accidents: costs and consequences

Key messages

- Consequences of accidents at work and work-related ill-health are not always noticed
- Consequences of accidents at work and work-related ill-health increase company costs and decrease revenues
- Calculating costs raises awareness about the necessity of prevention
- Accidents at work and work-related ill-health bring about considerable costs



